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Sterling Savings Bank, successor in interest by merger to  
7 Sonoma National Bank

8 UNITED STATES BANKRUPTCY COURT  
9 NORTHERN DISTRICT OF CALIFORNIA  
10 SAN JOSE DIVISION

11 In Re:

12 BENYAM MULUGETA and PAULA R.  
13 MULUGETA,

14 Debtors.

Case No. 09-51900  
Chapter 11  
R.S. No. RKN/004

**Date: July 8, 2010**

**Time: 2:00 p.m.**

**Location: 280 South First St., San Jose, CA**

**Courtroom: 3020**

15  
16 **SUPPLEMENTAL DECLARATION OF LORI CRECHRIOU IN SUPPORT OF**  
17 **STERLING SAVINGS BANK'S MOTION FOR RELIEF FROM STAY**

18 I, Lori Crechriou, declare as follows:

19 1. I am a Vice President/Special Assets Team Leader 1 with Sterling Savings Bank,  
20 successor in interest by merger to Sonoma National Bank. In this capacity, I have personal  
21 knowledge of the facts set forth herein and, if called upon as a witness, could and would  
22 competently testify thereto.

23 2. In May of 2010, Sterling Savings Bank obtained an appraisal of the Debtor's real  
24 property located at 353 Grand Avenue, Oakland, California. A true and correct copy of the  
25 summary of the appraisal obtained is attached hereto as Exhibit "A" and incorporated herein by this  
26  
27  
28

///

1 reference as though fully set forth.

2 I declare, under penalty of perjury under the laws of the State of California, that the  
3 foregoing is true and correct. Executed this 7<sup>th</sup> day of July, 2010, at Santa Rosa, California.

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By: /s/ Lori Crechriou  
LORI CRECHRIOU

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# **EXHIBIT “A”**

# WEBSTER & COMPANY

REAL ESTATE APPRAISERS, CONSULTANTS AND ADVISORS

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APPRAISAL OF:  
  
353 GRAND AVENUE  
  
OAKLAND, CALIFORNIA



PREPARED FOR:

Mr. Mark Corsa, MAI:  
Sterling Savings Bank  
1646 North California Boulevard, Suite 330  
Walnut Creek, California 94596

MAY 2010

2010-WC-524

---

**East Bay**  
323 Tahos Road  
Orinda, CA 94563  
Phone: 925-253-8283  
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Email: mikewebster@msn.com

**San Francisco**  
San Francisco, CA  
Phone: 415-831-0216

# WEBSTER & COMPANY LLC

REAL ESTATE APPRAISERS, CONSULTANTS AND ADVISORS

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June 4, 2010

Mr. Mark Corsa, MAI  
Sterling Savings Bank  
1646 North California Boulevard, Suite 330  
Walnut Creek, California 94596

Re: 2010-WC-524, Appraisal  
353 Grand Avenue  
Oakland, California 94610  
Project #: 10-001442-01-1

Dear Mr. Corsa:

Pursuant to your request, Webster & Company has completed an appraisal of the leased fee interest in the mixed-use retail/apartment property identified as 353 Grand Avenue, in the City of Oakland, Alameda County, California. The property is further identified as Assessor parcel number 10-767-1, though a legal description of the underlying site was not provided.

The subject property is a four-story, steel reinforced masonry structure, containing five ground floor retail suites and 21 upper floor apartments. The average quality facility was built in 1910 and is in average overall condition. Of the total of approximately 15,378 square feet of useable building area, 3,900 square feet is retail space and 11,478 square feet is contained within the apartments (for an average apartment unit size of 547 square feet). The retail space is 100 percent leased to five tenants, while the apartments are 76 percent leased, with five vacant units. There is no on-site parking and, based on the underlying site size of 8,650 square feet, the floor area ratio is 178 percent.

This is a comprehensive appraisal conveyed through a summary appraisal report. The report is intended to be in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP) and the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA). The client is Mr. Mark Corsa, MAI, with Sterling Savings Bank.

As requested by the client, the purpose of this appraisal is to estimate the as is market value of the leased fee interest in the subject property. The client has also requested the prospective value of the property upon achieving stabilized occupancy and income, as well as the as is 180-day disposition value.

---

## East Bay

323 Tahos Road  
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## San Francisco

San Francisco, CA  
Tel: 415-831-0216

The intended use (function) of this appraisal is to assist Sterling Savings Bank, and-or affiliates, to establish marketability and potential loan and asset recovery thresholds. The intended user of this appraisal is Sterling Savings Bank and-or affiliates. **This report may not be used or relied upon by anyone, other than the client, or its assignees, for any purpose, without the express written consent of the appraiser.**

Attached to this letter is a complete appraisal report containing the research and analyses leading to the value conclusions. Chapter one provides a basic summary of salient facts and conditions upon which the appraisal is based. The undersigned has made a personal inspection of the subject property. No one has provided significant professional assistance to the person signing this report.

**EXTRAORDINARY LIMITING CONDITIONS:**

The property owner did not grant the appraisers access to the entire property, building plans and specifications were not provided, and only incomplete data was provided concerning the current leased status of the facility. Valuation assumes that the information provided in the attached report is accurate. However, if it is later determined that this information is not accurate, the value conclusions of this appraisal could be impacted.

The Alameda County Tax Collector has indicated that the property owner was delinquent a total of \$129,185 in property taxes and garbage collection fees, as of the effective date of this appraisal. The value conclusions of this appraisal do not deduct for these amounts. However, these liens would require payment prior to the close of escrow on any sale of the facility and would thus reduce the net sale proceeds to the property owner by an equivalent amount.

**VALUE CONCLUSIONS:**

The research and analyses necessary to value the subject property are contained in the attached report. Valuation is also subject to the assumptions and limiting conditions presented in chapter one, sections J and K. It is important to review these items, and the attached report in its entirety, to understand the premises upon which the estimates of value are based. Based on the information contained in the attached report, it is the opinion of the undersigned that the value conclusions for the subject property, as delineated below, are estimated as of May 24, 2010 as follows:

**AS IS MARKET VALUE: \$2,350,000**

**AS IS DISPOSITION VALUE: \$1,880,000**  
**(assuming a 180-day marketing period)**

**PROSPECTIVE STABILIZED VALUE: \$2,400,000**  
**(as of the September 1, 2010 prospective date of stabilization)**

These value conclusions will remain valid only if this letter remains attached to the appraisal report, which is identified on the footer of each page as 2010-WC-524 (plus attached exhibits).

**FURNITURE, FIXTURES AND EQUIPMENT (FF&E):**

The value estimates include the subject's furniture, fixtures and equipment (FF&E), as described in chapter five of the attached report. This FF&E, which is assumed to transfer with the property, is estimated to have a depreciated value in use of \$21,000, or \$1,000 per apartment unit.

**EXPOSURE TIME AND MARKETING TIME**

Based on the indications of the comparable data, and considering the subject's physical attributes, market conditions in the area, and other pertinent factors, the property's exposure time and marketing time are each estimated at 12 months. For the disposition value, a 180-day marketing period is assumed.

Webster & Company appreciates this opportunity to provide service. Please contact the undersigned if there are any questions regarding this appraisal.

Sincerely,

WEBSTER & COMPANY



Michael Webster, MAI  
Certified General Appraiser - CA No. AG013833



### CERTIFICATION OF APPRAISER

I, the undersigned, certify that, to the best of my knowledge and belief:

1. Webster & Company has not performed any previous service pertaining to the subject property appraised herein.
2. The statements of fact contained in this report are true and correct.
3. The reported analyses, opinions, and conclusions are limited only by the reported special and general assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
4. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved. I have no bias with respect to the property that is the subject of this report or to the parties involved in this assignment.
5. My engagement and compensation for completing this assignment are not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, a requested minimum value, a specific value, the approval of a loan, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report. The appraisal assignment was not based on a requested minimum value, a specific valuation, or the approval of a loan; nor was the employment of Webster & Company conditioned upon the appraisal producing specific values or values within a given range.
6. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice. The report is furthermore in compliance with FIRREA.
7. In accordance with the Competency Provision in the USPAP, I certify that my education, experience and knowledge qualify me to undertake this appraisal assignment.
8. I have personally inspected the property that is the subject of this report. No one has provided significant professional assistance to the person signing this report.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. As of the date of this report, I have completed the continuing education program of the Appraisal Institute.



Michael Webster, MAI  
Certified General Appraiser - CA No. AG013833



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COMPANY LLC**

REAL ESTATE APPRAISERS, CONSULTANTS & ADVISORS

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## **ADDENDA**

Property Assessment Summary Sheet/Property Tax Bills  
Basement Floor Plan  
Broker's Rent Roll  
Sterling Savings Bank Forms  
Qualifications of Michael Webster, MAI

**I. SUMMARY OF SALIENT INFORMATION****A. Identification and Description of Property Appraised**

**Project #:** 10-001442-01-1  
**Street Address:** 353 Grand Avenue, Oakland, California  
94610  
**Assessor Parcel Numbers:** 10-767-1

**Property Appraised:** The subject of this appraisal is the leased fee interest in the property identified above. A legal description of the underlying site was not provided.

The subject property is a four-story, steel reinforced masonry structure, containing five ground floor retail suites and 21 upper floor apartments. The average quality facility was built in 1910 and is in average overall condition. Of the total of approximately 15,378 square feet of useable building area, 3,900 square feet is retail space and 11,478 square feet is contained within the apartments (for an average apartment unit size of 547 square feet). The retail space is 100 percent leased to five tenants, while the apartments are 76 percent leased, with five vacant units. There is no on-site parking and, based on the underlying site size of 8,650 square feet, the floor area ratio is 178 percent.

**Zoning:** C-30 (District Thoroughfare Commercial)  
**General Plan:** Neighborhood Center Mixed-Use  
**Earthquake Zone:** Not a Special Studies Zone  
**Flood Zone:** C - Flood Insurance is not Required  
**Thomas Brothers Reference:** Page 649, Grid J3

# RETAIL LEASE ABSTRACT - As of May 24, 2010

Appraisal of 353 Grand Avenue  
Oakland, California

SUITE	TENANT	RENTABLE AREA	LEASE COMMENC.		LEASE TERM (mos.)	LEASE EXPIRATION DATE (1)	CURRENT MONTHLY RENT (2)	MONTHLY RENT		ESCALATION PERIOD	YEARLY RENT		DEPOSIT
			DATE	DATE				PER SF (2)	PER SF		PER SF	PER SF	
A	Hairdresser	1,000	N/A	N/A	N/A	N/A	\$1,700	\$1.70	N/A	N/A	N/A	N/A	N/A
B	Grand Boutique	200	N/A	N/A	N/A	N/A	\$400	\$2.00	N/A	N/A	N/A	N/A	N/A
C	Connie's Spa	1,000	N/A	N/A	N/A	N/A	\$2,500	\$2.50	N/A	N/A	N/A	N/A	N/A
D	Coffee With a Beat	1,200	N/A	N/A	N/A	N/A	\$2,000	\$1.67	N/A	N/A	N/A	N/A	N/A
E	Wesene	500	N/A	N/A	N/A	N/A	\$300	\$0.60	N/A	N/A	N/A	N/A	N/A
<b>TOTALS</b>		3,900	100.00%	100.00%			\$6,900	\$1.77	Average monthly contract rent.				
	Leased Space	3,900	100.00%	100.00%									
	Vacant Space	0	0.00%	0.00%									

(1) None of the tenants have a below market renewal option.

(2) All leases reflect a gross expense basis, with the tenants responsible for utilities and interior maintenance expenses.

WEBSTER & COMPANY LLC  
MAY 2010; 2010-WC-524

**B. Current Ownership/Property History/Leased Status****Current Ownership/Property History**

According to the information provided for this assignment and Assessor records, the subject property is owned by "Benyam and Paula Mulugeta". There have reportedly no arms-length ownership transfers pertaining to the property in the four years prior to the effective date of this appraisal.

The property is currently for sale at an asking price of \$2,725,000, with terms of all cash to the seller at the close of escrow. The listing commenced in May 2010 and there had reportedly been no purchase offers as of the date of this appraisal.

**Leased Status**

Detailed information concerning the subject's leased status was not provided. The following information is based on the limited information available from the property owner. The only information provided is presented on the accompanying tenant abstracts. Valuation assumes the accuracy of this information and that the subject's current leased status is accurately described herein. If it is later discovered that this information is incorrect, the value conclusions of this appraisal could be impacted.

It is noted that the relatively low rent for retail suite E is because this is a rear basement space with no windows, currently leased as storage area. This will be accounted for in the subject's valuation.

Because of the limited available information, the property will be valued assuming that all of the space is leased at market rents. This will be discussed in further detail in the valuation chapters of this appraisal.

**C. Purpose and Function of the Appraisal**

This is a comprehensive appraisal conveyed through a summary appraisal report. The report is intended to be in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP) and the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA). The client is Mr. Mark Corsa, MAI, with Sterling Savings Bank.

As requested by the client, the purpose of this appraisal is to estimate the as is market value of the leased fee interest in the subject property. The client has also requested



# APARTMENT GROSS RENTAL INCOME CALCULATION/ TENANT ABSTRACT

Appraisal of 353 Grand Avenue  
Oakland, California

<u>Unit</u>	<u>Unit Type (Br./Ba.)</u>	<u>Status</u>	<u>Rent Basis</u>	<u>Monthly Rent</u>	<u>Per Sq. Ft.</u>	<u>Yearly Rent</u>	<u>Livable Sq. Ft.</u>
1	1/1	Occupied	Actual	\$1,000	\$1.75	\$12,000	571
2	1/1	Vacant	Market	\$950	\$1.66	\$11,400	571
3	1/1	Occupied	Actual	\$1,000	\$1.75	\$12,000	571
4	1/1	Occupied	Actual	\$1,000	\$1.75	\$12,000	571
5	2/1	Occupied	Actual	\$1,200	\$2.10	\$14,400	571
6	Studio	Occupied	Actual	\$750	\$1.88	\$9,000	400
7	1/1	Occupied	Actual	\$900	\$1.58	\$10,800	571
8	1/1	Vacant	Market	\$950	\$1.66	\$11,400	571
9	1/1	Occupied	Actual	\$1,000	\$1.75	\$12,000	571
10	1/1	Occupied	Actual	\$850	\$1.49	\$10,200	571
11	1/1	Occupied	Actual	\$1,000	\$1.75	\$12,000	571
12	Studio	Occupied	Actual	\$750	\$1.88	\$9,000	400
13	2/1	Occupied	Actual	\$1,200	\$2.10	\$14,400	571
14	1/1	Occupied	Actual	\$800	\$1.40	\$9,600	571
15	1/1	Occupied	Actual	\$1,000	\$1.75	\$12,000	571
16	1/1	Occupied	Actual	\$1,000	\$1.75	\$12,000	571
17	1/1	Vacant	Market	\$950	\$1.66	\$11,400	571
18	1/1	Occupied	Actual	\$1,000	\$1.75	\$12,000	571
19	2/1	Vacant	Market	\$1,200	\$2.10	\$14,400	571
20	Studio	Occupied	Actual	\$750	\$1.88	\$9,000	400
21	1/1	Vacant	Market	\$950	\$1.66	\$11,400	571
<b>TOTALS</b>				Base Annual Rent:	\$242,400	\$242,400	11,478
				Orientation Premiums:	\$0		
				Model Premiums:	\$0	547	Average Unit Size
					\$242,400	\$962	Avg. Monthly Rent/Unit
						\$1.76	Avg. Monthly Rent/SF

WEBSTER & COMPANY LLC  
MAY 2010; 2010-WC-524

the prospective value of the property upon achieving stabilized occupancy and income, as well as the as is 180-day disposition value.

The intended use (function) of this appraisal is to assist Sterling Savings Bank, and-or affiliates, to establish marketability and potential loan and asset recovery thresholds. The intended user of this appraisal is Sterling Savings Bank and-or affiliates. **This report may not be used or relied upon by anyone, other than the client, or its assignees, for any purpose, without the express written consent of the appraiser.**

#### D. Scope of the Appraisal

This is a comprehensive appraisal conveyed through a summary appraisal report. As is typical in the valuation of mixed-use apartment/retail facilities, the scope of this appraisal report is to utilize two of the three standard approaches to value (the Sales Comparison and Income Approaches), in accordance with Uniform Standards of Professional Appraisal Practice (USPAP), to arrive at the value conclusions contained herein. The reader is referred to the Valuation Methodology section of this appraisal for the rationale for the exclusion of the Cost Approach.

In the Sales Comparison Approach, the subject's market value is estimated through comparison to recent sales of comparable properties. Adjustments are made to the indicated sale prices for various comparative factors that influence value.

In the Income Approach, direct capitalization is utilized to estimate the value of the property. A market rent is first estimated for the property, in order to derive stabilized potential gross income. A stabilized vacancy allowance and estimated operating expenses are subsequently deducted from potential gross income, in order to derive stabilized net operating income.

In direct capitalization, a stabilized value estimate is provided by dividing the stabilized net operating income by an overall capitalization rate commensurate with the investment risk associated with the property.

Specific steps include the inspection of the subject property and the research and analysis of comparable data, to arrive at the value indications as put forth in this narrative appraisal report. Sources of data include public records, market research firms, listing services, and individuals active in the marketing, development and ownership of similar properties.

The appraiser has made a personal inspection of the subject property. No one has provided significant professional assistance to the person signing this report.

**E. Date of Valuation and Date of Appraisal**

The date of our final inspection and the effective date of the market value estimate is May 24, 2010.

The date of the appraisal report is June 4, 2010.

**F. Property Rights Appraised**

The property rights appraised are the leased fee interest in the subject property.

**G. Value Conclusions**

**EXTRAORDINARY LIMITING CONDITIONS:**

The property owner did not grant the appraisers access to the entire property, building plans and specifications were not provided, and only incomplete data was provided concerning the current leased status of the facility. Valuation assumes that the information provided in the attached report is accurate. However, if it is later determined that this information is not accurate, the value conclusions of this appraisal could be impacted.

The Alameda County Tax Collector has indicated that the property owner was delinquent a total of \$129,185 in property taxes and garbage collection fees, as of the effective date of this appraisal. The value conclusions of this appraisal do not deduct for these amounts. However, these liens would require payment prior to the close of escrow on any sale of the facility and would thus reduce the net sale proceeds to the property owner by an equivalent amount.

**VALUE CONCLUSIONS:**

The research and analyses necessary to value the subject property are contained in this appraisal report. Valuation is also subject to the assumptions and limiting conditions presented in sections J and K of this chapter. It is important to review these items, and the appraisal report in its entirety, to understand the premises upon

which the estimates of value are based. Based on the information contained in this report, it is the opinion of the appraiser that the value conclusions for the subject property, as delineated below, are estimated as of May 24, 2010 as follows:

<b>AS IS MARKET VALUE:</b>	<b>\$2,350,000</b>
<b>AS IS DISPOSITION VALUE:</b>	<b>\$1,880,000</b>
(assuming a 180-day marketing period)	
<b>PROSPECTIVE STABILIZED VALUE:</b>	<b>\$2,400,000</b>
(as of the September 1, 2010 prospective date of stabilization)	

These value conclusions will remain valid only if this section remains attached to the appraisal report, which is identified on the footer of each page as 2010-WC-524 (plus attached exhibits).

#### **FURNITURE, FIXTURES AND EQUIPMENT (FF&E):**

The value estimates include the subject's furniture, fixtures and equipment (FF&E), as described in chapter five of this report. This FF&E, which is assumed to transfer with the property, is estimated to have a depreciated value in use of \$21,000, or \$1,000 per apartment unit.

#### **H. Exposure Time and Marketing Time**

Based on the indications of the comparable data, and considering the subject's physical attributes, market conditions in the area, and other pertinent factors, the property's exposure time and marketing time are each estimated at 12 months. For the disposition value, a 180-day marketing period is assumed.

#### **I. Definitions of Terms**

##### ***1. Definition of Market Value***

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- a) buyer and seller are typically motivated;

- b) both parties are well informed or well advised and each acting in what they consider their own best interest;
- c) a reasonable time is allowed for exposure in the open market;
- d) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- e) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”(1)

(1) Source: Office of the Comptroller of the Currency under 12CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions (f), Office of Thrift Supervision under 12 CFR, Part 564.2(f), Resolution Trust Corporation, Uniform Standards of Professional Appraisal Practice, 12th Edition, Page 10, and Federal Reserve System, Federal Register, Vol. 55, No. 165, Part 34.43 (f)

## **2. *Definition of Fee Simple Interest***

A fee simple interest in valuation terms is defined as “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”(2) It is an inheritable estate.

(2) Source: The Dictionary of Real Estate Appraisal, 4<sup>th</sup> Edition, 2002, page 113.

## **3. *Definition of Leased Fee Interest***

A leased fee interest is defined as “An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.”(3)

(3) Source: The Dictionary of Real Estate Appraisal, 4<sup>th</sup> Edition, 2002, page 161.

**J. Special Assumptions and Limiting Conditions**

The use of the following extraordinary assumptions and limiting conditions may have impacted the conclusions of this appraisal.

1. The property owner did not grant the appraisers access to the entire property, building plans and specifications were not provided, and only incomplete data was provided concerning the current leased status of the facility. Valuation assumes that the information provided in the attached report is accurate. However, if it is later determined that this information is not accurate, the value conclusions of this appraisal could be impacted.
2. The Alameda County Tax Collector has indicated that the property owner was delinquent a total of \$129,185 in property taxes and garbage collection fees, as of the effective date of this appraisal. The value conclusions of this appraisal do not deduct for these amounts. However, these liens would require payment prior to the close of escrow on any sale of the facility and would thus reduce the net sale proceeds to the property owner by an equivalent amount.
3. A preliminary title report pertaining to the subject property was not provided. In the absence of such a report, valuation assumes that there are no easements or restrictions impacting the subject property that would have a significant impact on its market value or marketability.

A legal conclusion regarding the impact of these items, if any, on the subject property is beyond the expertise of the appraiser and beyond the scope of this assignment. In the absence of further information concerning these items, valuation assumes that there are no easements or restrictions that significantly impact the subject's market value or marketability, other than as described herein.

4. Building plans and specifications pertaining to the subject property were not provided, and only limited access was provided to the interior of the facility. The property description was derived from information provided by the client and the subject property owner, including a first floor plan; the appraiser's physical inspection and measurement of portions of the property; a satellite photograph downloaded from Google Earth; and Assessor records. Valuation assumes that the building and site improvements descriptions contained herein are accurate.

5. Valuation is based, in large part, on information received from the client and the subject property owner. This information includes data on the property's history (including its sales history); current physical and legal status; current leased status; and the like. Valuation assumes the accuracy of all such information provided, and that it is accurately presented herein.

Detailed information concerning the subject's leased status was not provided. The information contained in this report is based on the limited information available from the property owner. The only information provided is presented on the accompanying tenant abstracts. Valuation assumes the accuracy of this information and that the subject's current leased status is accurately described herein. If it is later discovered that this information is incorrect, the value conclusions of this appraisal could be impacted.

It is noted that the relatively low rent for retail suite E is because this is a rear basement space with no windows, currently leased as storage area. This will be accounted for in the subject's valuation.

Because of the limited available information, the property will be valued assuming that all of the space is leased at market rents. This will be discussed in further detail in the valuation chapters of this appraisal.

6. This appraisal includes forecasts of future events. These projections are not intended to be factual indications of future events, which can never be predicted with certainty. Rather, they are an estimate of what these items might be in the future, based on current market data. No representation is made that these projections will materialize, nor is any liability assumed by the appraiser for future events which could impact the market value estimates of this appraisal.

#### **K. General Assumptions and Limiting Conditions**

1. The research and analyses necessary to value the subject property are contained in this appraisal report. Valuation is also subject to the assumptions and limiting conditions presented in sections J and K of this chapter. It is important for the client to review these items, and read the appraisal report in its entirety, to understand the premises upon which the estimate of value is based. It is also incumbent upon the client to inform the appraiser of any errors or omissions of which he/she is aware prior to utilizing this report or making it available to any third party.



2. The liability of Webster & Company and its employees and associates is limited to the client only. There is no accountability, obligation, or liability to any third party.
3. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
4. It is assumed that the subject property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the appraisal report. It is furthermore assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
5. The subject property is assumed to be in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described and considered in the appraisal report.
6. No responsibility is assumed by the appraisers for the legal description of the subject property, or for matters pertaining to legal or title considerations. The appraiser is not responsible for legal matters. It is assumed that the property is free and clear of liens, encumbrances and special assessments other than as stated in this report. Title to the property is assumed to be good and marketable unless otherwise stated.
7. Responsible ownership and competent property management are assumed.
8. It is assumed that the use of the land and/or improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
9. Any illustrative materials used in this report are included only to help the reader visualize the property. Lot size and building dimensions are assumed to be correct, and no responsibility is assumed for their accuracy. Although dimensions are taken from sources considered reliable and verifying measurements were made when possible, such verification should not, in any way, be construed as a survey. Areas not calculated by an engineer are not guaranteed accurate from an engineering standpoint.

10. Any information, estimates, and opinions furnished to the appraiser from outside sources, were obtained from sources considered to be reliable and believed to be true and correct. However, responsibility for the accuracy of such items is not assumed by the appraiser. All information has been checked where possible and is believed to be correct, but is not guaranteed as such.
11. This report may contain projections concerning items such as economic conditions, real estate market conditions and demographics, as well as income and expenses pertaining to the subject property. These projections are not intended to be relied on as factual indications of future events, which can never be predicted with certainty. Rather, they are an estimate of what these items might be in the future, based on current market data. No representation is made that these projections will materialize, nor is any liability assumed by the appraiser for future events.
12. The subject land is assumed to be free of adverse soil conditions which would prohibit, or inhibit, development of the property to its highest and best use. The land is assumed to be of sufficient load-bearing capacity to support the structure unless otherwise noted. We assume no liability as to the condition of the soils underlying the subject property. This analysis is of surface rights only, and no analysis has been made of the value of subsurface rights (such as oil, gas and mineral rights), if any.
13. Less than 100 percent of the subject property was inspected for this appraisal. This appraisal assumes that there are no hidden or unapparent conditions of the subject property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering or other studies that may be required to discover them.
14. It is assumed that no toxic contamination exists on the subject property. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimates are predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.

15. Unless otherwise noted, it is assumed that the subject property is structurally sound; that all building systems (such as electrical, HVAC, mechanical, plumbing and the like) are in good working order, with no major deferred maintenance or repair required; that the roof and exterior is in good condition and free from intrusion by the elements; and that the property is seismically sound and that the continued use of the structure would not require any seismic bracing or seismic upgrading, unless otherwise noted herein. We have not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, make no representations relative to the property condition.
16. If questions arise from issues outside the scope of this appraisal that are critical to the decision process of the reader, the advice of competent specialists in those areas should be obtained. If these retained specialists should report negative factors, of a material nature, or if such are later discovered, relative to the property condition, such negative information could have a significant negative impact on the market value of the subject property. Accordingly, if negative findings are reported by such specialists, we reserve the right to amend the value(s) reported herein.
17. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless prior arrangements have been made. Upon review by the client, no further services are required of the appraiser concerning this appraisal, unless prior arrangements have been made.
18. This report may not be used or relied upon by anyone other than the client, for any purpose, without the express written consent of the appraiser. It may not be used for any purpose by any person other than the party to whom it is addressed, without the written consent of the appraiser, and in any event only with the proper written qualification, only in its entirety, and only for the contracted intended use as stated herein.
19. Publication of this appraisal report is prohibited without the express written consent of the appraiser. No portions of this report shall be conveyed to the public through any media (such as publication, advertising, news sales, or other media) without the prior written consent of the appraiser, particularly as to the valuation conclusions, the identity of the appraiser or appraisal firm, or any reference to the Appraisal Institute or the MAI designation.

20. Information regarding any earthquake and flood hazard zones for the subject property was provided by outside sources. Accurately reading earthquake and flood hazard maps, as well as tracking constant changes in the zone designations, is a specialized skill and outside the scope of the services provided in this appraisal assignment. No responsibility is assumed by the appraiser in the misinterpretation of these maps. It is strongly recommended that the client reverify earthquake and flood hazard locations.
21. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraisers have not made and are not qualified to perform a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of the ADA was not considered in estimating the value of the property.